Supreme Court, U.S.
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No. 10-509

In the Supreme Court of the United States

AVID IDENTIFICATION SYSTEMS, INC.,
Petitioner,

v.

THE CRYSTAL IMPORT CORPORATION, DATAMARS SA, AND DATAMARS, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REDACTED BRIEF OF ALLFLEX USA, INC. AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS (WHO ARE NOT PARTICIPATING)

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QUESTIONS PRESENTED

The Petition will be unanswered by the named Respondents because, after the district court's judgment of patent unenforceability, the parties voluntarily settled their controversy in a manner that left Respondents with no incentive or reason to continue to litigate the enforceability of the '326 patent (the only issue raised by the Petition). Therefore, in lieu of the absent Respondents, Allflex USA, Inc. as *amicus curiae* submits that the questions presented are:

1. Whether the Federal Circuit correctly affirmed the district court's holding that Petitioner's patent is unenforceable for inequitable conduct where no "clear error" was shown in the findings that Petitioner's own undisclosed § 102(b) prior art was "highly material," the "closest prior art," and "non-cumulative," where the finding that Petitioner intended to mislead the PTO was not challenged on appeal, and where Petitioner's excuse that its founder and president had not been "substantively involved" in prosecuting the patent was expressly rejected as a matter of fact and credibility?

2. Whether the Petition should be dismissed or denied for lack of an Article III case or controversy where a voluntary settlement proposed by Petitioner eliminated Respondents as true adversaries and clearly left them with no actual or concrete interest in the outcome, despite a reserved monetary amount that was nominal in light of Petitioner's settlement concessions and Respondents' future appellate litigation costs?

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STATEMENT OF INTEREST OF AMICUS CURIAE

Allflex USA, Inc. ("Allflex") submits this *amicus curiae* brief in support of the absent Respondents, who did not participate before the Federal Circuit and who will not participate in this Court.[1] Respondents have not participated in any post-judgment proceedings in this case after reaching a voluntary settlement with Petitioner Avid Identification Systems, Inc. ("Petitioner" or "Avid"). Such settlement was proposed and accepted by Petitioner in hopes of obtaining an unopposed appeal of the district court's inequitable conduct judgment rendering Avid's '326 patent unenforceable.

Allflex is well-suited to serve as *amicus curiae* because Allflex is a party in a concurrently-pending case involving the same three Avid patents that were asserted against Respondents in this case. See *Allflex USA, Inc. v. Avid Identification Systems, Inc.*, No. EDCV 06-1109 SGL(OPx) (C.D. Cal.). Based on

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[1] Allflex provided counsel of record for Petitioner with notice of its intent to file this brief more than ten days prior to the due date, as required by S. Ct. R. 37.2(a). Avid consented to the filing of this brief. Allflex also provided notice to counsel who appeared for Respondents in the district court and the Federal Circuit (the latter appearance made solely to state that Respondents would not participate on appeal). Respondents' counsel confirmed that Respondents will not be participating before this Court, but consented to the filing of this brief. In accordance with S. Ct. R. 37.6, Allflex further states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than Allflex or its counsel.

the unenforceability judgment in this case, the '326 patent has been dismissed from the California case due to collateral estoppel.

Allflex is also well-suited to serve as *amicus curiae* in this Court because Allflex has fulfilled that role through all post-judgment proceedings in this case. After Avid settled with Respondents, Allflex moved to appear as *amicus curiae* in the district court to oppose Petitioner's reconsideration request, although Allflex's motion was dismissed as moot once the district court concluded that there was no longer a live controversy between Avid and Respondents. App. 50-53a. On appeal, Allflex was granted leave to participate as *amicus curiae* to assert both the lack of a case or controversy and to defend the unenforceability judgment.

Absent Allflex's participation, this Court will be informed only of Petitioner's rejected version of the underlying facts. Allflex will explain why the facts and law fully support the inequitable conduct judgment being challenged by Petitioner. Allflex will also provide the Court with the "rest of the story" on the jurisdictional defect which provides an independent basis for denying review.

Because Respondents will not be participating, Allflex's *amicus curiae* brief includes certain sections ordinarily found within an opposition, including alternative Questions Presented and a Statement of the Case. Under these circumstances, it is believed that such additions will be acceptable and of significant benefit to the Court.

CONSTITUTIONAL, STATUTORY, AND REGULATORY PROVISIONS INVOLVED

The "case or controversy" clause of the U.S. Constitution, Article III, Section 2, clause 1, prohibits federal courts from hearing cases that do not pose an actual controversy. See *Muskrat v. United States*, 219 U.S. 346 (1911).

35 U.S.C. § 102(b) provides: "A person shall be entitled to a patent unless ... the invention was ... on sale in this country, more than one year prior to the date of the application for patent in the United States." Products that were "on sale" more than one year before an application are known as "§ 102(b) prior art." See, e.g., *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337, 1344 (Fed. Cir. 2007). Even if § 102(b) prior art is not invalidating as an anticipation, such references can be utilized in an obviousness analysis under 35 U.S.C. § 103(a). See *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

Inequitable conduct is a judicially-created, non-statutory doctrine which provides an equitable defense to a charge of patent infringement. "The concept of inequitable conduct in patent procurement derives from the equitable doctrine of unclean hands: that a person who obtains a patent by intentionally misleading the PTO ["Patent and Trademark Office"] can not enforce the patent." *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1394 (Fed. Cir. 1988); see *Precision Instrument Mfg. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 814-86 (1945); *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 244-47 (1933).

STATEMENT OF THE CASE

The Federal Circuit's inequitable conduct decision cannot be reviewed in isolation from the record and the district court's opinions. App. 38-48a; App. 49-54a. The relevant facts are those found by the district court and affirmed by the Federal Circuit as supported by the record. Yet, Avid's petition presents its rejected and discredited characterization of Dr. Stoddard's behavior and role as if the trial and appeal never occurred, and as if this Court could, even if so inclined, make contrary findings in the first instance.

Notably, the district court resolved all credibility disputes against Dr. Stoddard, who was Avid's sole "exculpatory" witness. It was only after the district court expressly rejected his denials of any pre-critical date sales as incredible that Avid began arguing that Dr. Stoddard was a non-lawyer and non-inventor who could not appreciate "materiality" relative to an invention he conceived, and who was not "substantively involved" with an application critical to the closely-held corporation of which he was founder and president. Because the district court found exactly the opposite, the Petition's entire premise is fatally flawed.

A. Avid's Pre-Critical Date Offers

The '326 patent covers radio frequency identification ("RFID") tags and readers, two components of an electronic identification system for identifying pets and other animals. App. 39a. A unique tag can be implanted in an animal, and an

electronic reader can identify the animal by communication with and recognition of the tag. *Id.* A key object of the invention as eventually claimed was providing a single reader that could read tags of different designs and manufacturers. *Id.*

Dr. Stoddard, a veterinarian, allegedly conceived of a better system of identifying and processing animals, and hired engineers Polish, Malm, and Beigel to develop his idea. App. 3-4a. They devised an encrypted chip that could be read by a reader programmed with Avid's decryption code, and developed a "multi-mode" reader for reading Avid's chips as well as those of other manufacturers. App. 4a. The three engineers (but not Stoddard) were named as inventors on the application (which was assigned to Avid), while Malm served as the prosecuting attorney. App. 4a.

Because the application was filed on August 15, 1991, the §102(b) "critical date" for the '326 patent was one year earlier, August 15, 1990. App. 39a & n.1. As proven at trial, Avid demonstrated and offered its Standard Reader and tag incorporating its e5500B integrated circuit at a trade show before the "critical date," making those devices "§ 102(b) prior art" to the '326 patent. App. 42a. Avid later argued that the demonstrated devices did not meet every limitation of the '326 patent claims. App. 9a. The important point is that because the PTO was never informed of those pre-critical date offers, those devices were never evaluated or utilized as prior art during prosecution.

B. The District Court Proceedings

On May 4, 2004, Avid filed this case against, *inter alia*, Datamars, Inc., Datamars SA, and its subsidiary The Crystal Import Corporation ("Respondents" or "Datamars"). C.A. A839. At the May 2006 trial, Avid asserted Lanham Act claims and infringement of three related Avid patents (the '409 patent, the '017 patent, and the '326 patent). App. 4-5a. The jury found Datamars liable for unfair competition and false advertising, and awarded $6 million in damages. App. 5a. The jury also found all three patents willfully infringed, found the asserted claims of the '326 patent were not invalid, and awarded $26,981 as patent damages. *Id.*

The parties agreed to forego a bench trial on inequitable conduct, thus enabling the district court to decide that issue based on the trial record and supplemental briefing. App. 40a. On September 28, 2007, the court held the '326 patent unenforceable for inequitable conduct. App. 38-48a. That ruling is the only one currently at issue.

The district court rejected "as simply not credible" Stoddard's testimony that Avid's Standard Reader and tag had not been "on sale." App. 42a. From unambiguous contemporaneous documents, the court found the Standard Reader and the e5500B integrated circuit were § 102(b) prior art. App. 42-44a. Deeming Avid's non-materiality argument to be "implausible" (App. 45a), the court further found the "[undisclosed on-sale] activities were the closest prior art to the '326 patent's disclosure" and that "such art

was not cumulative to other art that was before the Examiner during prosecution." App. 45a & n.7.

Accordingly, the district court found "by clear and convincing evidence that Avid's Standard Reader and tag were highly material to the patentability of the '326 patent's claims." App. 45a. The court also found that "Beigel and Stoddard were generally aware that prior sales activity would affect their patent rights, and that sales activities had placed them in a time crunch with respect to filing their patent applications."[2] App. 46a. Together with Avid's pre-critical date activities, the court found that Avid's knowledge of the adverse consequences, its failed efforts to file within one year of those activities, and its lack of any persuasive reason for not disclosing the sales to the PTO supported finding "by clear and convincing evidence, that Avid acted with deceptive intent during the prosecution of the '326 patent." App. 46-47a.

The district court correspondingly found it unnecessary to rely on other evidence indicating that

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[2] As it did in the Federal Circuit, Avid asserts that Dr. Stoddard was the only person implicated in Avid's inequitable conduct. While the Federal Circuit affirmed even upon accepting that premise (see App. 12a n.1), the district court's opinion confirms that inventor Beigel also knew about the fact, materiality, and legal consequences of Avid's pre-critical date "on sale" activities. Moreover, other evidence confirms that Beigel both knew of and concealed Avid's extensive pre-August 15, 1990 § 102(b) activities. See C.A. A8309, A8372, A8390-91, A8528, A8993-94; C.A. Supp. A1-3. The judgment would be independently supported by Beigel's conduct, which is an additional reason for denying the petition.

Stoddard had instructed others to destroy documents concerning Avid's pre-critical date sales. *Id.* Balancing its findings of high materiality and culpable intent, the district court held the '326 patent was unenforceable. App. 48a. On March 25, 2008, the court resolved the remaining post-trial motions and entered final judgment. C.A. A1-1, A13-21. Respondents timely filed various post-judgment motions for JMOL and a new trial. C.A. A869. However, on November 3, 2008, while those motions were pending, Avid and Respondents entered a global settlement agreement and release (hereinafter "Agreement").

C. The Parties' Settlement Agreement

Under the Agreement, the parties agreed to dismiss all claims and counterclaims, "except as they related to the '326 patent." C.A. A16619. Defining "Datamars" to include Respondents, the Agreement specified that Datamars will

C.A. A16617.

REDACTED

C.A. A16619.

On the '326 patent, Avid reserved the right to ask the district court to reconsider the inequitable conduct ruling and vacate its unenforceability judgment. C.A. A16619. The Agreement expressly provided that "Datamars agrees not to oppose such a motion." *Id.* If reconsideration was denied, Avid also

reserved the right to appeal the unenforceability "finding." C.A. A16619-20. Respondents could oppose the appeal, but the Agreement provided that "Datamars will not contest appellate jurisdiction or standing, and Datamars will not allege that the appeal is moot and/or lacks a case or controversy." C.A. A16620.

Rather than the $6+ million awarded by the jury, **REDACTED** C.A. A16620. If Avid succeeded in restoring the enforceability of the '326 patent, Respondents had to pay Avid another $26,891. *Id.*

REDACTED

Id. Hence, Respondents saved over $3 million dollars under the Agreement,

REDACTED

On November 24, 2008, the district court entered an order dismissing all claims and counterclaims with prejudice, except those on the '326 patent. C.A. App. 813. That order also stated that all pending motions were withdrawn. *Id.* On December 22, 2008, Avid filed an unopposed motion under Fed. R. Civ. P. 60(b) asking the district court to reconsider its inequitable conduct ruling. The next day, Allflex moved to appear as an *amicus curiae* to oppose Avid's motion and expose Avid's settlement scheme to pursue reconsideration and appeal without opposition.

On February 11, 2009, the district court rejected Avid's assertion that the money obligations dependent upon the reconsideration outcome were sufficient to preserve a case or controversy between the parties. App. 49-54a. Instead, the court "fail[ed] to see how defendants could have a continuing dispute when they agree not to oppose the motion on enforceability." App. 52a. The court thus held that there was no longer an Article III case or controversy concerning the enforceability of the '326 patent, thereby rendering the reconsideration motion moot. App. 52-53a.

Importantly, the district court also found no "exceptional circumstances" under *U.S. Bancorp Mortgage v. Bonner Mall P'ship*, 513 U.S. 18, 29 (1994), to justify vacatur of the inequitable conduct ruling. App. 53a. Finally, the court stated that it would not have been inclined to grant Avid's motion anyway. App. 53a n.5. Viewing Avid's arguments as already advanced and rejected, the court saw no reason to change its prior decision. *Id.*

D. The Federal Circuit Proceedings

After Avid appealed, Respondents' counsel appeared only to inform the Federal Circuit that "in view of a settlement agreement between Datamars and [Avid], Datamars does not expect to file a brief in this appeal." C.A. Dkt. 15. Respondents' Docketing Statement separately stated that "[t]he parties have already settled, as noted in the stipulation that is docket entry no. 455 in the case below." C.A. Dkt. 14, at 3. Thereafter, Respondents did not participate

in any manner while Allflex was allowed to appear as an *amicus curiae* to defend the judgment.

On April 27, 2010, the Federal Circuit issued its opinion. App. 1-19a. On jurisdiction, the Federal Circuit held that a live controversy still existed because Datamars was free under the Agreement to oppose the appeal, and held that their decision not to submit a brief did not deprive the Court of jurisdiction. App. 7a. In the Federal Circuit's view, the $26,981 "riding on the outcome of the appeal" was not "a token or arbitrary sum introduced for the purpose of manufacturing a controversy," but represented the entirety of the jury award for patent infringement, which Datamars would have been legally required to pay if the '326 patent were not held unenforceable. App. 8a.

On the merits, the Federal Circuit first explained that a district court's ultimate determination of inequitable conduct is reviewed for abuse of discretion, while the underlying findings on "materiality" and "intent" are reviewed for "clear error." App. 8a-9a. As to the latter, the Federal Circuit expressly noted that "Avid does not dispute on appeal that Dr. Stoddard withheld the information with specific intent to deceive the PTO for the purposes of obtaining a patent." App. 9a.

On materiality, the Federal Circuit rejected Avid's assertion that the jury's finding that the '326 patent was not invalid as anticipated under § 102(b) meant that the undisclosed trade show offers could not be § 102(b) prior art. App. 9a. As the court explained, Avid was confusing the concepts of

"material" and "invalidating" because prior art that did not meet every claim limitation could still be material. App. 10a (and cases cited). Thus, the Federal Circuit affirmed that the offered product, while not invalidating, "reflected the closest prior art, and thus was highly material." App. 10a.

Rejecting Avid's theory that Dr. Stoddard had no duty of candor to the PTO, the Federal Circuit noted that under 37 C.F.R. § 1.56(c), such duty extends to "every other person who is *substantively involved* in the preparation or prosecution of the application and who is associated with the inventor or assignee." App. 11a (emphasis added). Deeming this case as its first chance to define "substantive involvement," the Federal Circuit held that the district court's "duty of candor" analysis was not clearly erroneous and was "reinforced by our own review of the entire record and relevant case law, which reveals sufficient reason to uphold the district court's judgment." App. 15a.

Among the many findings that were upheld, the Federal Circuit cited that "the '326 patent was directed to the system that fulfilled Dr. Stoddard's personal mission and the purpose for which his company was created" (App. 14a) and that "Dr. Stoddard's lack of credibility ... cast doubt on Dr. Stoddard's assertion that he did not understand the claimed technology and was not involved in the preparation of the '326 patent application." App. 15a. His inclusion on substantive communications regarding a European counterpart application "support[ed] the more general conclusion that he was substantively involved in preparation of the patent

application covering the system he conceived." App. 16a. Thus, the Federal Circuit affirmed that Dr. Stoddard was not exempt from the duty of disclosure under Rule 56, noting that to hold that "a person such as Dr. Stoddard owes no duty of candor would allow intentional deception by the types of people most likely to have knowledge of § 102(b) prior art." App. 17a.

Judge Linn dissented on whether a duty of candor applied to Dr. Stoddard. App. 20a. In his view, the evidence did not support "a finding that Dr. Stoddard was substantively involved in preparing or prosecuting the '326 patent" or that he was "sufficiently apprised of its technical details or legal merits to allow him to assess what information would be considered material to its patentability." App. 29a.

E. Denial Of Rehearing *En Banc*

The Federal Circuit's opinion was issued after the *en banc* Court announced that it would address inequitable conduct issues in *Therasense, Inc. v. Becton, Dickinson, & Co.*, 2010 WL 1655391 (Fed. Cir. April 26, 2010). Avid petitioned for rehearing *en banc* and moved to stay any mandate pending the decision in *Therasense*. App. 31a. Both were denied. App. 30-32a. No judge dissented from the denial of rehearing. *Id.* Only one judge dissented from denial of a stay. App. 33-37a (Newman, J., dissenting). In her view, the jury's verdict that the '326 patent was valid provided sufficient basis for waiting to see whether a future decision in *Therasense* "may" affect this case. App. 36a.

REASONS FOR DENYING THE PETITION

The district court's inequitable conduct determination that was affirmed by the Federal Circuit is unremarkable, straightforward, and case-specific. Upon affirming the district court's findings (including one that Dr. Stoddard acted with an intent to mislead the PTO that Avid did not even dispute on appeal), the Federal Circuit upheld the district court's discretionary holding that the '326 patent was unenforceable due to Avid's culpable failure to disclose its own pre-critical date sales that were "highly material" and the "closest prior art," and which included the features that Avid asserted constituted the patentable novelty of the later-claimed invention.

"Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous." *Anderson v. City of Bessemer City*, 470 U.S. 564, 574 (1985). Moreover, credibility determinations by the trial judge "can virtually never be clear error." *Id.* at 575. Yet, never mentioning that applicable standard of review, Avid ignores the adverse credibility findings and simply reargues its rejected view of the disputed evidence, insisting that Dr. Stoddard was not "substantively involved" in prosecuting the '326 patent. Given that the district court expressly found the opposite, and the Federal Circuit agreed, the entire premise for Avid's petition disappears.

Despite Avid's efforts to recast this case as one implicating fundamental tenets of inequitable conduct doctrine or as a failure to adhere to agency

regulations, it was nothing more than a routine application of established law to the facts as found by the district court. Nevertheless, trying to climb aboard the coattails of the Federal Circuit's pending *en banc* decision in *Therasense*, Avid labors to transform this case into a referendum on inequitable conduct. However, as the Federal Circuit repeatedly confirmed by successively deciding this case, denying rehearing, and refusing a stay *after* it had already taken the *Therasense* case *en banc*, the outcome here is not implicated by the issues pending in *Therasense*.[3]

Simply put, the unenforceability judgment on the '326 patent is clearly correct, and this case does not present a proper vehicle for revisiting or revising existing inequitable conduct doctrine (particularly since the parties have voluntarily settled their controversy in a manner that leaves only Petitioner still litigating). Avid's petition should be denied.

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[3] Avid concedes that its "substantively involved" question is not presented. Petition 31. Both lower courts explained how Avid confuses "anticipation" with "materiality" under current law App. 44-45a; App. 9-10a. While the "materiality" standard is raised in *Therasense*, the jury's unreviewed validity verdict here does not establish that the '326 patent would have issued over Avid's undisclosed § 102(b) prior art. Even if the Federal Circuit in *Therasense* adopts a "but for" standard for materiality (which is highly doubtful), Avid ignores that § 102(b) prior art can be "invalidating" not just for anticipation, but obviousness. See *supra* page 3. Given that Avid's undisclosed "on sale" activities were found to be "highly material" and "non-cumulative" (App. 45a n.7), such § 102(b) prior art necessarily would have directly affected Avid's arguments for patentability. See *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 (Fed Cir. 1987).

I. There Is No Clear Error In Finding That Dr. Stoddard Was "Substantively Involved" In Prosecuting The '326 Patent

As Avid concedes, PTO Rule 56 imposes a duty to disclose on "[e]very other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application." See Petition 15 (quoting 37 C.F.R. § 1.56(c)(3)). The Manual of Patent Examining Procedure § 2001.01 clarifies that the "substantively involved" limitation on the "duty of disclosure" simply means that the duty "does not extend to typists, clerks, and similar personnel who assist with the application." As the district court found, Dr. Stoddard was no mere typist or clerk. App. 47a.

Avid's continued insistence that its co-founder and president was not "substantively involved" with prosecuting an application on an invention that he conceived and that was central to Avid's business plan cannot establish clear error in the district court's contrary findings:

> From the company's inception, Stoddard has been involved in all aspects of the company's operation, from marketing and sales, to research and development. For example, Stoddard specifically hired Beigel and Polish to reduce his conceptualized reader system, embodied in the '326 patent, to practice. ...Stoddard's active involvement in all aspects of Avid supports the court's finding that he

> was substantively involved in the prosecution of the '326 patent.

App. 47a. Absent any attempt or basis for showing "clear error," the Petition is merely a losing party's complaint about adverse fact findings leading to a judgment affecting only this patent and this petitioner.

As noted, Avid's treatment of Dr. Stoddard changed after the inequitable conduct ruling based on the adverse credibility findings. App. 53a n.4. After using him in an attempt to excuse Avid's non-disclosure of its own, highly material prior sales, Avid switched to arguing that he really was unable to judge the materiality of prior art and had not been "substantively involved" in the prosecution. *Id.* As both lower courts held, Avid's revisionist treatment of Dr. Stoddard's role and understanding with respect to the '326 patent could not undo the findings or change the outcome. Moreover, it provides no basis for obtaining this Court's review.

The Federal Circuit described this case as its first opportunity to define "substantive involvement" relative to triggering the duty of candor. App. 12a. That, too, counsels against this Court's review until the Federal Circuit's carefully-limited guidelines can be applied in other patent cases.

> Our holding does not automatically extend the duty of candor to all individuals who contact one of the inventors or ...extend the duty generally to all individuals on the commercial side of product development. We simply hold

> that the district court may consider a variety of factors, such as an individual's position within the company, role in developing or marketing the patented idea, contact with the inventors or prosecutors, and representations to the PTO in deciding whether that individual is "substantively involved" within the meaning of § 1.56(c)(3).

App. 17a n.3. As the Federal Circuit also held, "to accept Avid's argument that a person such as Dr. Stoddard owes no duty of candor would allow intentional deception by the types of persons most likely to have knowledge of § 102(b) prior art." App. 17a. When § 102(b) prior art arises from an applicant's own activities, the PTO typically has no other source for obtaining such information.

Notwithstanding Avid's hyperbole (Petition 20-30), inequitable conduct doctrine and Rule 56 must be construed and enforced to deter high-ranking assignee executives who, like Dr. Stoddard, may benefit most from fraudulently procured patents. The law cannot allow corporate executives to conceal or suppress or destroy evidence of an assignee's "on sale" activities just because others do the direct communications with the PTO. Otherwise, executives in multi-national corporations could bar their attorneys prosecuting parallel applications in different countries from exchanging relevant prior art. The possibilities for similar schemes to mislead the PTO would be endless.

Here, Stoddard was found to have known the consequences to the '326 patent posed by Avid's pre-

critical date demonstrations of its Standard Reader and e5500B tag. App. 46-47a. The district court also found Avid offered no persuasive reason for not disclosing its pre-critical date activities to the PTO. *Id.* The offered products were found to be "highly material" and "the closest prior art." Yet, other than belatedly quibbling over whether Stoddard had a duty to the PTO, Avid did not even challenge the court's finding that he and Avid acted with a culpable intent to mislead the PTO. App. 9a. Thus, whether deemed "fraud on the PTO" or "inequitable conduct," those findings clearly establish that the '326 patent was properly held unenforceable, leaving no reason for this Court's review.

II. There Is No Remaining Article III Case Or Controversy Between Avid And Respondents

Disagreeing with the district court, the Federal Circuit concluded that a live controversy existed over the enforceability of the '326 patent because the Agreement allowed Datamars to oppose Avid's appeal (albeit without be able to challenge jurisdiction), and that Respondents' failure to submit a brief or otherwise participate did not deprive the Federal Circuit of such jurisdiction. App. 7a. The conclusion that there was jurisdiction was incorrect.

Allflex could not as *amicus curiae* file a cross-petition on behalf of the absent Respondents to challenge the Federal Circuit's jurisdictional ruling. However, a cross-petition is not needed "to defend [a] judgment on any ground properly raised below whether or not that ground was relied upon, rejected,

or even considered by the District Court or the Court of Appeals," *Washington v. Yakima Indian Nation*, 439 U.S. 463, 476 n.20 (1979), provided it would not change the judgment. *Granifinanciera, S.A. v. Nordberg*, 492 U.S. 33, 38-40 (1989).

Here, the jurisdictional issue was raised in and decided by both lower courts. If this Court were to disagree with the Federal Circuit's jurisdiction holding, its opinion would be vacated and Avid's appeal dismissed. That would reinstate the district court's unenforceability judgment because, adhering to this Court's decision in *Bancorp*, the district court specifically declined to vacate its judgment after the parties' settlement (App. 51-52a), a ruling which Avid also did not appeal. See *Shelby v. Superperformance Int'l, Inc.*, 435 F.3d 42, 45 & n.3 (1st Cir. 2006). Thus, a conclusion by this Court that the Federal Circuit lacked jurisdiction over Avid's appeal would not change the judgment.

With or without a cross-appeal, Allflex should be able as *amicus curiae* to alert this Court to a dispositive jurisdictional issue with origins in this Court's precedent. In *Havens Realty Corp. v. Coleman*, 455 U.S. 363, 371 (1982), the petitioner and respondents agreed that if this Court denied certiorari, or affirmed, respondents would receive $400 in damages. Otherwise, they would receive no relief. *Id.* This Court held the case was not moot:

> If respondents have suffered an injury that is compensable in money damages of some undetermined amount, the fact that they have settled on a measure of damages does not

> make their claims moot. Given respondents' continued active pursuit of monetary relief, this case remains "definite and concrete, touching the legal relations of parties having adverse legal interests."

455 U.S. at 371 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227 (1937)). *Havens* was later followed in *Nixon v. Fitzgerald*, 457 U.S. 731, 743-44 (1982), where the parties agreed to liquidated damages of $28,000 if this Court held that petitioner was not entitled to absolute immunity. However, those decisions cannot mean that an Article III case or controversy only requires reserving any form or amount of monetary dispute.

Yet, the Federal Circuit held that the $26,981 that the Agreement left "riding on the outcome of the appeal" was not "a token or arbitrary sum introduced for the purpose of manufacturing a controversy," but represented "the entirety of the jury award for patent infringement, which Datamars would have been legally required to pay to Avid if the '326 patent were not held unenforceable." App. 8a. However, that is incorrect. The jury's patent damages award covered all three patents-in-suit, not just the '326 patent, and the district court's judgment awarded Avid the entire $26,891, despite the '326 patent being unenforceable. Thus, it should have been irrelevant that the figure reserved by the Agreement was what the jury awarded as patent damages, and the resulting jurisdictional defect—eliminating the parties as true adversaries—is no different than if the reserved amount had been arbitrarily set at $10,000, $25,000, or $50,000.

While maintaining a liquidated monetary dispute may be necessary for Article III jurisdiction, it cannot be sufficient by itself where the appellee is no longer a true adversary due to the appellant's voluntary settlement. Unlike in *Havens* or *Nixon*, where respondents continued to litigate to recover the liquidated amount from petitioners, Respondents here were no longer in "active pursuit of monetary relief" after the Agreement. Instead, the opposite was true. Having reduced their liability by over $3 million **REDACTED**

Respondents' actions leave no doubt that they do not care whether Avid's unopposed appellate efforts obligate Respondents to pay the liquidated amount of $26,981 **REDACTED**

On the other hand, Avid's pursuit of such monetary relief is simply a smokescreen to obscure its real purpose of ensuring that they could challenge the unenforceability judgment unencumbered by an opposing party so as to resurrect the '326 patent to assert against others, including Allflex.

If Avid's view of *Havens* (as implicitly accepted by the Federal Circuit) were valid, a settling party could always avoid mootness by assigning a value of $1 to the outcome of any reserved issue on which it still wanted a federal court's decision, regardless of whether such stakes would motivate the other party to continue to litigate in good faith, at arms-length, and as a true adversary. However, Article III must require more than a "sidebet" for a true case or controversy. See *Gator.com v. L.L. Bean, Inc.*, 398 F.3d 1125, 1132 (9th Cir. 2005) (*en banc*) (dismissing appeal as moot despite the parties reserving a $10,000 payment contingent on the outcome).

Where an appeal ceases to be adversarial due to a settlement or contractual arrangement created by an appellant, the case is moot. See *Aqua Marine Supply v. AIM Machining, Inc.*, 247 F.3d 1216, 1220 (Fed. Cir. 2001). Here, despite leaving money at stake and not barring Respondents from opposing the appeal, Avid structured the Agreement to eliminate Respondents' actual or concrete interest in the outcome. Required to withdraw their post-trial motions and unable to challenge jurisdiction, it is little wonder that Respondents did not participate in an appeal where the future litigation costs would dwarf the minor amount left at stake.

If an adversarial relationship becomes irreparably compromised by an appellant's voluntary acts, there is no Article III case or controversy. If Avid wanted to challenge the unenforceability judgment on the '326 patent, it should have let the post-trial motions and appellate proceedings run their natural course. Instead, Avid "stacked the deck" by buying off its opponent to create an unopposed appeal. Thus, the resulting lack of jurisdiction is an independent basis for dismissing or denying Avid's petition.

III. This Court Should Not GVR Or Hold This Petition Pending The Federal Circuit's *En Banc* Decision In *Therasense*

Finally, this Court should reject Avid's attempt to distort this Court's GVR procedure to achieve further delay and more unopposed litigation. Petition 32-34. As the Federal Circuit repeatedly recognized, its future decision in *Therasense* cannot

undo the judgment compelled by the district court's affirmed findings in this case.

First, the Federal Circuit's decision in this case issued *after* the *en banc* order in *Therasense*. If a future decision in *Therasense* provided any reason for a different result in this case, the dissent surely would have said so. Yet, Judge Linn did not, and also did not dissent from the subsequent denial of rehearing *en banc*. App. 30-32a.

Second, Avid quotes Chief Judge Rader's concurrence in *Advanced Magnetic Closures, Inc. v. Jaroslawicz*, 607 F.3d 817, 834-35 (Fed. Cir. 2010), indicating that he "generally" would hold inequitable conduct cases until after *Therasense* was decided. However, Avid omitted his preceding qualification that he would do so only "absent extreme facts such as those found in the [*Advanced Magnetics*] case." *Id.* at 835. Notably, that case was decided while Avid's petition for rehearing *en banc* and motion to stay were pending. Yet, Chief Judge Rader also did not dissent from the denials of Avid's rehearing petition or motion to stay. App. 30-32a.

Although Judge Newman alone dissented from the denial of Avid's motion to stay, she relied on the jury's validity verdict that was never reviewed by any judge. App. 36a. On inequitable conduct, however, Avid has had its full day in court—with Respondents satisfying a "clear and convincing" burden of proof before a district judge—and that decision has now been fully reviewed and affirmed. Given that the other Federal Circuit judges discerned no reason to hold this case for its future *en*

banc Therasense decision, this Court should also decline such invitation.

Finally, there can be no legitimate reason to stay or remand this case to allow Avid to continue to litigate by itself against the absent Respondents. Contrary to Petition 34, no "injustice" has been inflicted on Avid. The injustice would be allowing Avid to reap further undeserved benefits and to perpetuate more uncertainty in the marketplace using a patent that was clearly proven to have been procured through its own culpable inequitable conduct.

CONCLUSION

For the reasons stated, the petition should be denied.

Respectfully submitted.

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